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What Does Health Care Reform (HR 3962) Mean For Me?

Why do we need to change our health care system at all?

Since 2000, health care premiums have doubled, while wages have gone up by just 3%. In the past 8 years, one million Americans lost their health insurance, bringing the number of uninsured to 46 million. In 2009 alone, more than 176,900 Michiganders lost their health insurance benefits due to the economic crisis. Rising health care costs remain one of the primary reasons why small businesses go under and corporations ship jobs overseas, and is one of that largest and fastest growing parts of our budget.

The American Journal of Medicine reported that 62% of American bankruptcies are linked to medical bills. These medical bankruptcies have increased by 50% in just six years. The shocking fact is that 78% of these people actually had health insurance, but gaps and inadequacies in the current system left them unprotected when they were hit by devastating bills. The current system is unsustainable.

What improvements will I see under health care reform?

HR 3962 provides a number of improvements to our health care system that all Americans will benefit from. HR 3962 is a uniquely American solution that makes the following improvements:

- Ends discrimination for pre-existing conditions, like diabetes, a heart condition, or cancer
- Prevents an insurance company from dropping your coverage because you become sick
- Prohibits insurance companies from charging women 48% more for the same coverage as their male counterparts
- No co-pays for preventive and wellness care
- Annual caps on what you pay out-of-pocket (\$5,000 for individuals, \$10,000 for a family), preventing families from going bankrupt due to medical costs
- Eliminates yearly and lifetime cost caps on what insurance companies cover
- Allows young adults to remain on their parents' insurance up to age 27

- Closes the Medicare prescription drug donut hole
- No changes in Medicare prescription drug coverage during the formulary year - an amendment that I wrote.

I'm on Medicare. What changes will I see?

You will not see a reduction in Medicare coverage or services; in fact, Medicare coverage will be improved in several ways. Health care reform will close the Medicare Part D prescription drug donut hole, eliminate co-payments for preventive care, help low-income seniors with a subsidy program to ensure Medicare remains affordable, and extend the life of the Medicare Trust Fund.

I've heard that the bill cuts Medicare by billions of dollars. Won't that mean cuts to my benefits and care?

No. The Medicare cost savings in the House bill will not negatively affect seniors. Studies show at least 5 percent of Medicare spending currently goes to waste, fraud and abuse. That 5 percent is all this bill would cut. Savings are achieved by reducing excessive profits that private insurance companies are making off Medicare Advantage; requiring hospitals, doctors, and other providers to be more efficient; calling for more coordinated care, and cracking down on waste, fraud and abuse. The AARP has concluded that none of these savings will hurt seniors or cut their benefits. HR 3962 even puts Medicare cost savings right back into Medicare – making key improvements in the Medicare benefits for seniors. AARP supports the bill, as well as the National Committee to Preserve Social Security and Medicare.

What if I'm on Medicare Advantage? Will Medicare Advantage plans still be available?

Yes, private Medicare Advantage plans will still be available under health care reform. If you're enrolled in Medicare Advantage, you are likely currently paying more in "cost-sharing" for vital services like hospitalizations, chemotherapy, and home health care. HR 3962 fixes that: Medicare Advantage enrollees would never pay more than traditional Medicare enrollees.

Currently, about 24% of America's seniors are in Medicare Advantage plans rather than traditional Medicare. Since 2003, these plans have cost U.S. taxpayers more than traditional Medicare – overpaying private insurance companies by an average of 14%, and in some regions of the country as much as 20%. Those profits cost all Medicare enrollees more. Without health care reform, seniors enrolled in traditional Medicare will pay \$90 extra in premiums next year to help pay for profits to the Medicare Advantage private insurance companies. HR 3962 phases out these overpayments to Medicare Advantage plans over three years.

What will happen over the next ten years?

Immediately in 2010

- Pre-existing condition exclusions will be eliminated
- Bans lifetime limits and caps on coverage
- Allows dependents to stay on their parents' health care up to age 27
- Allows individuals to keep their COBRA coverage until the Exchange is up and running
- Begins to fill in the Medicare Part D donut hole
- Implements the CLASS Act, a program to aid in long term care for seniors
- Establishes grants for employer based wellness programs

2011

- Eliminates barriers to enrollment in Medicare low-income subsidy for Part D drug program
- Implements new Medicare Advantage protections
- Creates an essential benefits package to establish minimum health care requirements
- Provides additional funds to states with high unemployment for Medicaid services

2012

- Improves low income protections in Medicare
- Extends coverage of essential drugs for kidney transplant patients

2013

- Implements insurance market reforms that prohibit insurance companies from engaging in discriminatory practices
- Creates Health Insurance Exchange, including establishing a Public Health Insurance Option
- Offers affordability credits to individuals 400% of the Federal poverty line who are not eligible for other health care coverage
- Requires individuals to obtain acceptable health insurance coverage, or pay a tax of 2.5%
- Requires large employers to offer coverage to employees and their families
- Provides tax credits to small businesses that choose to offer coverage to their employees
- Expands Medicaid eligibility to 150% of the poverty line
- Allows businesses with 25 or fewer employees to purchase health insurance from the exchange

2014

- Expands health insurance exchange to businesses with 50 or fewer employees
- Initiates affordable coverage for families who absorb more than 12% of their income on health care premiums

2015

- Opens health insurance exchange to businesses with 100 or fewer employers

2018

- Requires employers outside the exchange to meet the minimum benefits standard

What if I have COBRA?

If you are enrolled in COBRA when HR 3962 is signed into law, your COBRA coverage will be extended until you are eligible to enter the Health Insurance Exchange. Once the Health Insurance Exchange is up and running, you will be able to purchase health insurance in the Exchange and choose the plan that is most cost effective and suits the needs of you and your family.

What is the 'Health Insurance Exchange' and what does it mean for me?

The new Health Insurance Exchange, starting in 2013, creates a transparent and functional marketplace for individuals and small employers to comparison shop among private and public insurers, including new health insurance co-ops. It works with state insurance departments to set and enforce insurance reforms and consumer protections, facilitates enrollment, and administers affordability credits to help low- and middle-income individuals and families purchase insurance. Within three years, the Exchange will be open to employers with 100 employees. Over time, more employers will obtain that option. States may opt to operate the Exchange in lieu of the national Exchange provided they follow the federal rules.

What is a public option?

The goal of health care reform is to provide quality, affordable health care for every American while preserving what works in today's system, expanding choice, and containing costs. The Affordable Health Care for America Act creates a public health insurance option that would compete on a level playing field with private insurers within the Health Insurance Exchange. Many areas are dominated by just one or two private insurers today. This option will provide yet another choice for consumers. The Secretary of Health and Human Services will administer the public option and negotiate rates for providers that participate in the public option.

How will this affect small businesses?

Health care has been an unrelenting headache for small businesses, with premiums increasing 129% since 2000, small businesses paying an average of 18% more for premiums than larger firms, and administrative costs eating up two and a half times more of their premiums than larger businesses pay. HR 3962 would require small businesses with payrolls \$500,000 and higher to provide health care to their employees or pay an employer responsibility fee. Small businesses with annual payrolls of less than \$500,000 will be exempt from the employer-responsibility requirements. Employer responsibility will phase in gradually as payroll increases from \$500,000 to \$750,000. HR 3962 provides a 2-year tax credit to assist small employers that want to offer coverage even if they are not required to do so.

The Health Insurance Exchange is initially targeted to serve small business employees and the uninsured. Small businesses gradually increase their participation:

- In 2013, firms with up to 25 employees can enter the exchange

- In 2014, firms with up to 50 employees can enter the exchange
- In 2015, firms with up to 100 employees can enter the exchange
- In 2015 and beyond, the Commissioner can allow larger employers as appropriate

FACT: 86% of America's businesses are exempt from the shared responsibility requirement to provide insurance

FACT: 98.8% of small business owners will pay no surcharge

Will I see an increase in my taxes?

Under health care reform, 99.7% of taxpayers will see no tax increase. If you make \$500,000 per year as an individual, or \$1,000,000 as a couple, you will see a surcharge of 2.5% on your income exceeding these limits.

What if I already have employer-based coverage?

If you like your coverage, you can keep it. If you don't like your coverage, you can elect to purchase coverage through the Health Insurance Exchange.

How will this affect my Medicaid?

If you are a current Medicaid recipient, you will see no changes. If you are close to the Medicaid eligibility requirements, with the passage of HR 3962, you may become eligible for Medicaid. Medicaid will be expanded to include everyone with an income at or below 150% of the federal poverty line (\$33,100 per year for a family of 4).

What about children enrolled in MIChild?

Children who receive health care from the State Children's Health Insurance Program, MIChild, will continue to receive coverage. In 2014, eligible children move to the exchange or Medicaid, based on income eligibility.

Does the bill contain tort reform?

Yes. Even though medical malpractice is litigated through state law, and many states, including Michigan have already enacted stringent tort reform including damage caps, this bill includes strong incentives for states to utilize a certificate of merit system to ensure a case is valid. The bill also includes liability immunity for volunteer physicians working in community health centers and early dispute resolution.

How can our nation afford this?

The bill is fully paid for by the millionaire's tax and by cracking down on waste, fraud, and abuse. The non-partisan Congressional Budget Office estimates that HR 3962 will yield \$109 billion in federal deficit REDUCTION over the next ten years.

How many people will this affect in our area?

For the 7th Congressional District of Michigan, if enacted, HR 3962 will:

- Improve employer-based coverage for 442,000 residents
- Provide affordability credits to 167,000 people
- Improve Medicare for 109,000 beneficiaries, including closing the prescription drug donut hole for 9,600 seniors
- Allow 13,600 small business to obtain affordable health care coverage and provide tax credits to help reduce health insurance costs for up to 12,100 small businesses
- Provide coverage to 36,000 uninsured residents
- Protect up to 1,600 families from bankruptcy due to unaffordable health care costs
- Reduce the cost of uncompensated care for hospitals and health care providers by \$94 million
- Guarantee that 100% of participants never lose their insurance due to pre-existing conditions.

When this bill takes effect, 96% of all Americans will have health care.

Does Congress get the same coverage?

This bill does not exempt Members of Congress. In fact, part of the bill is modeled after the Congressional health plan. As a Member of Congress, I already purchase health care from a Health Insurance Exchange. This program has proven to be effective and the bill would give you the opportunity to participate in a similar program that provides market competition and consumer choice, as well as affordable and quality care to consumers.

How does this affect retired employees' health care?

This bill will protect retirees. Employers will be prohibited from reducing retirees' health benefits after those retirees have retired, unless the reduction is also made to benefits for active participants.

Will HR 3962 change before it becomes law?

While the recent House vote marks an historic step towards fixing our broken health care system, this is by no means the end of the road. I expect a different version of the bill will emerge from the U.S. Senate, at which point I will carefully read and study the final legislation before voting again later this year.

How do I find out more information and follow the progress of health care reform?

If you would like more information you can get non-partisan analysis online at www.FactCheck.org and www.PolitiFact.com . You can also read a copy of the bill and find additional information on my website by visiting www.schauer.house.gov and clicking on the Health Care Reform button on the main page.